

**REPORT OF THE AUDIT OF THE
MASON COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

April 22, 2004



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
MASON COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES

April 22, 2004

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2003 Taxes for Mason County Sheriff as of April 22, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$8,187,963 for the districts for 2003 taxes, retaining commissions of \$302,698 to operate the Sheriff's office. The Sheriff distributed taxes of \$7,880,835 to the districts for 2003 taxes. No taxes are due to the districts from the Sheriff and no refunds are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable James Gallenstein, Mason County Judge/Executive

Honorable Tony Wenz, Mason County Sheriff

Members of the Mason County Fiscal Court

Independent Auditor's Report

We have audited the Mason County Sheriff's Settlement - 2003 Taxes as of April 22, 2004. This tax settlement is the responsibility of the Mason County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Mason County Sheriff's taxes charged, credited, and paid as of April 22, 2004, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable James Gallenstein, Mason County Judge/Executive
Honorable Tony Wenz, Mason County Sheriff
Members of the Mason County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 23, 2004

MASON COUNTY
TONY WENZ, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES

April 22, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 869,202	\$ 1,316,090	\$ 2,522,944	\$ 754,153
Tangible Personal Property	231,792	369,432	564,439	654,280
Intangible Personal Property				135,666
Taxes Increased Through				
Erroneous Assessments	230	198	629	361
Franchise Taxes	188,909	155,474	490,343	
Additional Billings	173	286	500	149
Limestone, Sand, and Mineral Reserves	2,886	2,530	8,378	2,493
Bank Franchises	60,259			
Penalties	7,694	10,158	20,904	10,253
Adjusted to Sheriff's Receipt	1	5	5	6
Gross Chargeable to Sheriff	<u>\$ 1,361,146</u>	<u>\$ 1,854,173</u>	<u>\$ 3,608,142</u>	<u>\$ 1,557,361</u>
<u>Credits</u>				
Exonerations	\$ 3,622	\$ 4,750	\$ 10,386	\$ 6,741
Discounts	18,594	26,859	48,700	24,222
Delinquents:				
Real Estate	7,751	10,902	22,498	6,694
Tangible Personal Property	141	242	345	51
Uncollected Franchise Taxes	86	63	212	
Total Credits	<u>\$ 30,194</u>	<u>\$ 42,816</u>	<u>\$ 82,141</u>	<u>\$ 37,708</u>
Taxes Collected	\$ 1,330,952	\$ 1,811,357	\$ 3,526,001	\$ 1,519,653
Less: Commissions *	<u>56,853</u>	<u>75,192</u>	<u>105,780</u>	<u>64,873</u>
Taxes Due	\$ 1,274,099	\$ 1,736,165	\$ 3,420,221	\$ 1,454,780
Taxes Paid	1,273,388	1,735,205	3,418,180	1,454,062
Refunds (Current and Prior Year)	<u>711</u>	<u>960</u>	<u>2,041</u>	<u>718</u>
Due Districts				
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

*See Next Page.

The accompanying notes are an integral part of this financial statement.

MASON COUNTY
 TONY WENZ, COUNTY SHERIFF
 SHERIFF'S SETTLEMENT - 2003 TAXES
 April 22, 2004
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	3,935,889
4% on	\$	716,073
3% on	\$	3,526,001

MASON COUNTY
NOTES TO FINANCIAL STATEMENT

April 22, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue that are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue that are recognized when there is proper authorization. Taxes paid are uses of revenue that are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 22, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
April 22, 2004
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 20, 2003 through April 22, 2004.

Note 4. Interest Income

The Mason County Sheriff earned \$690 as interest income on 2003 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Mason County Sheriff collected \$18,873 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Mason County Sheriff collected \$434 of advertising costs and \$2,985 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James Gallenstein, Mason County Judge/Executive
The Honorable Tony Wenz, Mason County Sheriff
Members of the Mason County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Mason County Sheriff's Settlement - 2003 Taxes as of April 22, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Mason County Sheriff's Settlement - 2003 Taxes as of April 22, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mason County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 23, 2004

